

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
ALPENA POWER COMPANY)	
to commence a power supply cost recovery)	Case No. U-17910-R
reconciliation proceeding for the 12-month)	
period ended December 31, 2016.)	
_____)	

At the June 15, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On March 29, 2017, Alpena Power Company (Alpena) filed an application, with supporting testimony and exhibits, for authority to reconcile its power supply cost recovery (PSCR) revenues and costs for the 12-month period ended December 31, 2016.

A prehearing conference was held on May 23, 2017, before Administrative Law Judge Dennis W. Mack. Alpena and the Commission Staff participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, Alpena's net PSCR overrecovery was \$871,333, including interest. This amount included a beginning overrecovery balance of \$459,736 from Alpena's 2015 PSCR reconciliation and an overrecovery of \$184,741 for the 2016 PSCR reconciliation. Interest calculated on the monthly average balance increased

the net overrecovery by \$79,062, for a cumulative overrecovery of \$723,539. Alpena discovered that it had been using an outdated loss factor when calculating unbilled sales. Accordingly, Alpena determined where the loss factor should have been as of December 31, 2015, and made an adjustment to the 2016 PSCR beginning balance in the amount of \$147,794. The sum of \$147,794 was therefore added to the net overrecovery of \$723,539, resulting in a final net overrecovery of \$871,333, inclusive of interest. The parties agreed that Alpena should be authorized to roll the \$871,333 overrecovery into its 2017 PSCR reconciliation beginning balance.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Alpena Power Company's 2017 power supply cost recovery reconciliation beginning balance shall be \$871,333.
- C. Alpena Power Company shall address the cumulative \$871,333 overrecovery in its 2017 power supply cost recovery plan factor pursuant to the method authorized in Case No. U-18141.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscdockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of June 15, 2017.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of the Application of)
ALPENA POWER COMPANY)
to commence a Power Supply Cost)
Reconciliation Proceeding for the 12-month)
period ending December 31, 2016.)
_____)

Case No. U-17910-R
(Power Supply Cost Reconciliation)

SETTLEMENT AGREEMENT

Alpena Power Company ("Alpena"), by and through its attorney, Timothy M. Gulden, of the law firm of Gillard, Bauer, Mazrum, Florip, Smigelski & Gulden, and the Michigan Public Service Commission Staff ("Staff"), by and through its attorney, Assistant Attorney General Bryan A. Brandenburg, hereby present this Settlement Agreement in resolution of the above matter.

1. On March 29, 2017, Alpena filed its application for a power supply cost recovery (PSCR) reconciliation proceeding for the 12-month period ending December 31, 2016, together with its prepared testimony and exhibits of its witness in support of the application. Based on calculations, Alpena determined that power supply revenues exceeded power supply costs, resulting in an over-recovery. Alpena has requested to roll the over-recovery into its current PSCR plan costs. On April 21, 2017, the Michigan Public Service Commission ("Commission") issued its notice of hearing, setting this matter for a prehearing conference on May 23, 2017. Pursuant to the Commission's directives, Alpena mailed a copy of the notice of hearing to all

cities, incorporated villages, townships, and counties in its service area, and published the notice of hearing in daily newspapers of general circulation within its service area. The prehearing conference was conducted by Administrative Law Judge Dennis W. Mack, who reviewed the status of the case and created a case schedule. Staff thereafter conducted its audit. Based upon the audit, and discussions of Staff and Alpena concerning Alpena's application and the audit, Staff and Alpena enter this Settlement Agreement. The parties agree as follows:

a. Proceedings in this PSCR reconciliation were conducted in accordance with 1982 PA 304. The expenditures charged by Alpena for the cost of power supply were reasonably and prudently incurred.

b. Alpena collected \$16,819,643 in base and PSCR revenues and had \$16,634,902 in power supply costs during the 12-month period ending December 31, 2016, resulting in an over-recovery of \$184,741.

c. Alpena discovered that it had been using an outdated loss factor when calculating unbilled sales. Accordingly, Alpena determined where the loss factor should have been as of December 31, 2015, and made an adjustment to the unbilled sales in January 2016. Since the unbilled revenues are included in the monthly PSCR over/under collection calculation, an adjustment of \$147,794 was made by Alpena to the PSCR beginning balance in 2016. The sum of \$147,794 will therefore be included in the present over-recovery calculation.

d. The 2016 over-recovery of \$184,741, when coupled with the 2015 PSCR

over-recovery of \$459,736, which was the 2016 PSCR reconciliation beginning balance as authorized by the Commission's order in Case No. U-17670-R, and the PSCR adjustment of 147,794, results in an over-recovery of \$792,271, not including interest.

e. Interest through the 2016 reconciliation period equals \$79,062, and when added to the PSCR over-recovery results in a net over-recovery of \$871,333.

f. Alpena shall roll its net over-recovery of \$871,333 into its 2017 PSCR reconciliation beginning balance.

g. Alpena has initiated addressing these over-recoveries in its current 2017 PSCR plan factor beginning in January 2017 pursuant to the methodology authorized by the Commission in Case No. U-18141.

2. It is the opinion of the parties that this Settlement Agreement is in the public interest and will aid the expeditious conclusion of this case, this Settlement Agreement is intended for final disposition of this proceeding, and the parties join in respectfully requesting the Commission to grant prompt approval of the Settlement Agreement.


3. This Settlement Agreement will become binding upon the parties only if the Commission accepts and approves it without modification. If the Commission does not approve this Settlement Agreement without modification, it shall be withdrawn and shall not constitute any part of the record in the proceeding or be used for any purpose whatsoever.

4. This Settlement Agreement has been made for the sole and express purpose of reaching a compromise among the positions of the signatories without prejudice to their rights

to take new and different positions in other proceedings. All offers of settlement and discussions relating to this Settlement Agreement shall be considered privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, the parties shall make no reference to or use the Settlement Agreement or the order approving it as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references or use may be made to enforce the Settlement Agreement and Order.


5. All parties waive Section 81 of the Administrative Procedures Act of 1969, as amended, MCL 24.281.

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

By:  Digitally signed by Bryan A. Brandenburg
Date: 2017.05.26 10:49:21 -04'00'

Bryan A. Brandenburg (P77216)
Assistant Attorney General

ALPENA POWER COMPANY

By:  Digitally signed by Timothy M. Gulden
DN: cn=Timothy M. Gulden, o=Gilard, Bauer, Mazum, Flanig, Smigelski & Gulden, ou, email=timgulden@gilardbw.com, c=US
Date: 2017.05.31 14:05:53 -04'00'

Timothy M. Gulden (P41232)
Its: Attorney